

**GENERAL PROGRAM INFORMATION**

**FOR**

**2014 – 2016**

**HOME HOMEBUYER AND REHABILITATION (HHR) PROGRAM**

**AND**

**HOUSING COST REDUCTION INITIATIVE (HCRI) PROGRAM**

**STATE OF WISCONSIN  
DEPARTMENT OF ADMINISTRATION  
DIVISION OF HOUSING  
BUREAU OF AFFORDABLE HOUSING**

**JANUARY 2015**



**\*Changes to the HOME HHR program as a result of the new Federal HOME Rule are incorporated in the application process.**

## GENERAL PROGRAM INFORMATION

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## **PURPOSE**

The Wisconsin Department of Administration, Division of Housing (DOH) makes HOME Homebuyer and Rehabilitation (HHR) and Housing Cost Reduction Initiative (HCRI) program funds available to eligible applicants through a biennial funding cycle. The funds are awarded to communities and local housing organizations to fund a range of activities that build, buy, and/or rehabilitate affordable housing for low-income homeowners and homebuyers.

### **HHR**

Funding for the HHR program is provided by the U.S. Department of Housing and Urban Development (HUD) through the Home Investment Partnerships (HOME) Program. The HOME Program was created by the National Affordable Housing Act of 1990 (NAHA). The HOME program is designed to reinforce several important values and principles of community development:

- ☞ HOME's flexibility empowers communities to design and implement strategies tailored to their needs and priorities.
- ☞ HOME's emphasis on consolidated planning expands and strengthens partnerships among all levels of government and the private sector in the development of affordable housing.
- ☞ HOME's requirement that every dollar in program funds be matched with 25 cents from nonfederal sources mobilizes community resources in support of affordable housing.

## **2013 HOME FINAL RULE**

The *2013 HOME Final Rule, 24 CFR Part 92*, imposed new requirements on projects that receive funds from the HOME Program. The purpose is to improve project accountability and ensure that there is adequate market demand for HOME Projects. The following summarizes the major Final HOME Rule changes:

- 15% of the annual HOME allocation must be set-aside for CHDO activities.
- CHDO certification applications must be submitted prior to award of CHDO set-aside funds.
- Funding for CHDO activities will not be committed (setup) until:
  - All necessary financing is secured
  - A budget and schedule established
  - Underwriting analysis and subsidy layering is completed
  - Construction is expected to begin within 12 months
- Underwriting analysis and subsidy layering for homebuyer development activities including:
  - Evaluating return to owner or developer
  - Assessing market demand/conditions
  - Examining sources and uses of funding
  - Determining costs are reasonable and eligible
- CHDO set-aside funding must be committed with two years of federal authorization
- Activities must be completed within four years
- New homebuyer units must be sold within nine months
- Uniform Physical Conditions Standards (UPCS) replaces Housing Quality Standards (HQS).

- All rehabilitation activities must ensure that all major systems including furnaces and water heaters have a useful life of at least five years.

All 2013 HOME Final Rule changes can be found at <https://www.hudexchange.info/home/home-final-rule/highlights-of-the-changes-in-the-home-final-rule>.

Changes to the HOME HHR program as a result of the new Federal HOME Final Rule are incorporated in the application process.

### **HCRI**

Funding for the HCRI Program is provided by the State of Wisconsin. The HCRI program is designed to provide direct financial assistance to reduce the housing costs of low- and moderate-income (LMI) households. HCRI funds available through this application process may be used for assistance for eligible homebuyers and homeowners facing foreclosure.

## **DEFINITIONS**

**Accessibility:** for the HOME program, a modification to ensure an existing housing unit is usable by individuals with mobility or sensory impairments is considered rehabilitation.

**Activity:** means a site or sites together with any building (including a manufactured housing unit) or buildings located on the site(s) that are under common ownership, management, and financing and are to be assisted with HOME funds as a single undertaking.

**Activity Completion:** all necessary title transfer requirements and construction work have been performed; the activity complies with all HOME requirements; the final payment request has been disbursed for the activity; and the activity Completion Report has been submitted to DOH.

**Adjusted Income:** under the HHR program, adjusted income is needed for calculating the rent for a tenant in a HOME-assisted rental unit whose rent must be adjusted because the household income increases above 80% of county median income. Adjusted income is NOT used for homeowner rehabilitation or homebuyer programs.

**Agency Capacity:** the ability of an organization to deliver the HHR program based on staffing levels, staff experience and financial resources.

**Annual Income:** DOH uses the definition in 24 CFR Part 5 (Part 5 Annual Income). This definition is used by a variety of Federal programs, including the Section 8 program, and was commonly referred to as the Section 8 definition. The Part 5 definition is the gross amount of income of all adult household members that is anticipated to be received during the upcoming 12 months.

**Community Housing Development Organization (CHDO):** a private, nonprofit, community-based service organization that has the correct legal structure, independence, and capacity and experience to develop affordable housing for the community it serves. A minimum of 15% of the HOME allocation is set aside for housing development activities in which qualified CHDOs are the owners, developers, and/or sponsors of the housing.

**CHDO Project:** Eligible activities include the following when carried out by a CHDO acting as an owner, sponsor or developer: (1) acquisition and rehabilitation of homebuyer properties, and (2) new construction of homebuyer properties.

**County Median Income (CMI):** County median household income used for determining eligibility for low to moderate family income.

**Collaborative Application:** a single application submitted by two or more eligible applicants. Each applicant will administer a portion of the funds. One agency will be designated as “lead agency” for contracting purposes.

**Development HOME subsidy:** amount of HOME funds provided to developers to help lower the cost to the homebuyer. The amount can be above the fair market value up to the total development cost.

**Direct HOME subsidy:** amount of assistance, including program income, provided to the homebuyer to purchase the home.

**Down Payment:** a percentage of the purchase price paid at closing. The required amount varies by the loan/mortgage product the financing buyer receives.

**First-time Homebuyer:** an individual who meets any one of the following criteria:

- ◆ An individual who has had no ownership in a principal residence during the 3-year period ending on the date of purchase of the property. This includes a spouse (if either meets the above test, they are considered first-time homebuyers.

- ◆ A single parent who has only owned a home with a former spouse while married.
- ◆ An individual who is a displaced homemaker and has only owned with a spouse.
- ◆ An individual who has only owned a principal residence not permanently affixed to a permanent foundation in accordance with applicable regulations.
- ◆ HOME does NOT require buyers to be first-time buyers.

Gap Financing: a form of HOME assistance used to reduce monthly carrying costs for homebuyers. The homebuyer is provided financing to reduce the principal amount that s/he must borrow. The intent is to help ensure affordability and sustainability for the household.

Disabled: a physical impairment which substantially limits movements, senses, or activities; or a record of having such an impairment; or being regarded as having such an impairment, but such term does not include current illegal use of or addiction to alcohol or a controlled substance as defined in section 102 of the Controlled Substances Act 21 USC 802.

HOME Funds: HOME Investment Partnerships Program funds granted by the Department of Housing and Urban Development (HUD) to the Wisconsin Department of Administration. DOH subsequently awards the funds to eligible subrecipients that use them to fund activities that build, buy, and/or rehabilitate affordable housing. For subrecipients, HOME funds include all contracted funds, plus all repayments and interest or other returns on the investment of these funds.

Household: one or more persons occupying or planning to occupy a housing unit.

Housing Quality Standards (HQS): minimum standard to determine the acceptability of a housing unit assisted with HOME funds. All housing units assisted with HOME funds must pass HQS standards within 6 months of receiving assistance.

LMI: low to moderate household income at or below 80 percent of the county median income adjusted for household size..

IDIS: HUD's Integrated Disbursement and Information System.

Match: applicant's contribution to the HOME program including local and non-federal funds. The match contribution should equal at least 25 percent of the HOME contract activity funds.

New Construction: the creation of new dwelling unit(s) on an undeveloped site.

Part 5 Annual Income: 24 CFR 5.609 (Code of Federal Regulations) Part 5 general HUD annual income program requirements.

Participating Jurisdiction (PJ): a unit of government that receives HOME funds directly from HUD. The State of Wisconsin is considered a PJ. Other current PJs are not eligible to receive State HOME funds and include the counties of Dane, Jefferson, Milwaukee, Ozaukee, Rock, Washington, and Waukesha and the cities of Eau Claire, Green Bay, Kenosha, LaCrosse, Madison, Milwaukee, Racine, and West Allis.

Program Income: gross income received by the grantee directly generated from the use of HOME funds or matching contributions.

Project-Related Soft Costs: costs directly related to carrying out a specific HOME activity. These costs may be charged as project/activity costs. They include: appraisals, construction inspections and oversight, homebuyer counseling, preparation of work specifications, risk assessments, relocation services. The total of project-related soft costs may not exceed 15 percent of the activity cost, with the exception of relocation services.

Reconstruction: rebuilding a structure on the same lot where housing is standing at the time of activity commitment. HOME funds may be used to build a new foundation or repair an existing foundation, replace a substandard house with a new house. The activity is classified as rehabilitation for set-up.

Refinancing: refinance existing debt on single-family, homeowner rehabilitation and rental properties in connection with HOME-funded rehabilitation. The refinancing must be necessary to reduce the owner's overall housing costs and make the housing more affordable. Refinancing for the purpose of taking out equity is not permitted.

Rehabilitation: under the HOME program is considered to be alteration, improvement, or modification of an existing structure. These repairs are intended to ensure that the home meets all applicable local building codes and passes a Housing Quality Standards inspection.

Religious Activities: organizations that receive funds through the HOME program may not engage in inherently religious activities, such as worship, religious instruction, or proselytization, as part of the programs or services directly funded under this program. If an organization conducts such activities, the activities must be offered separately, in time or location, from the program activity and participation must be voluntary for the program beneficiary.

Uniform Physical Condition Standards (UPCS): The new minimum standard to determine the acceptability of a housing unit assisted with HOME funds pursuant to 24 CFR 5.703. Standards are established for inspecting the following areas: site, building exterior, building systems, dwelling units, and common areas.

Very-low Income: gross annual household income at or below 50 percent of the county median income adjusted for household size.

Visitability: the ability of a individuals with disabilities to visit a home. All new construction assisted through the HOME HHR program must be visitable. To be considered visitable the unit must have at least one at-grade access and useable bathroom (with a sink and toilet) and all interior passage doors on the main floor providing a minimum of 32" of clear passage space.

Working Agreements: informal arrangements between agencies that relate to providing services or referrals for services.

## **HOMEBUYER AND HOMEOWNER REHABILITATION HOUSING (HHR) (HOME SINGLE-FAMILY)**

### **A. AVAILABLE FUNDS**

Approximately \$8,236,300 in HOME HHR program funding is available for the 2014-2016 contract applications. This amount includes \$3 million in CHDO set-aside funds for specific CHDO activities.

Funding is for two years and will be awarded in two phases. Phase I is based on a 2014 HOME HHR allocation of \$4,118,150 and phase II based on an **estimated** 2015 allocation of \$4,118,150. CHDO funding will be awarded equally between Phase I and Phase II to meet the minimum 15% annual HOME CHDO set aside requirement.

Contract funds will be released as follows:

- Phase I funding will be available upon award of all contract documents.
- Phase II funding will be authorized in the spring of 2016 dependent upon progress in phase I and final 2015 HHR allocation determined by the Department of Administration – Division of Housing.

HOME funds may be awarded throughout the State except for areas that receive HOME funds directly from HUD as a Participating Jurisdiction. Applicants may apply for the following types of HOME activities:

1. Homebuyer assistance;
2. Homeowner rehabilitation;
3. CHDO activities including:
  - acquisition and rehabilitation of homebuyer properties; and
  - new construction of homebuyer properties.

Actual funding requests should be based upon agency capacity, service area, type of HOME activities proposed, and availability of program income. Applicants are strongly encouraged to work together with other housing organizations in their geographic area to minimize duplication of services in overlapping service areas. A match equal to 25 percent of activity funding is required and must be from non-federal sources and be a permanent contribution to the HOME activity.

### **B. CHDO REQUIREMENTS**

Applicants must be certified prior to award of CHDO set-aside funds. A certification application must be filled out and submitted along with the HOME HHR application to be considered for funding. Information about the certification process and the application can be found at the Department of Administration/ Division of Housing/ Bureau of Affordable Housing website at <http://www.doa.state.wi.us/Divisions/Housing/Bureau-of-Affordable-Housing>. The Department of Administration – Division of Housing will review and approve certification applications prior to contract awards.

A CHDO is defined as a specific type of private nonprofit entity that meets certain HUD requirements regarding legal structure, independence, accountability to the low-income community, and capacity and experience. CHDO set-aside funds may be used for developing homebuyer housing; however, grantees must first be certified as a CHDO. Grantees must be certified as either a developer, sponsor or owner as defined below:



1. **Owner:** The CHDO is an “owner” when it holds valid legal title to or has a long-term leasehold interest in a rental property at least equal to the affordability period. The CHDO must be the owner during development and for the affordability period.

As an owner, the CHDO may hire a developer or project manager to oversee the development of the rental housing project. The CHDO is also permitted to acquire housing that is in standard condition (meets the property standards without need for rehabilitation).

2. **Developer:** The CHDO is a “developer” when it owns a property (holds legal title or has a long-term lease) and also develops the housing project. The CHDO must be the sole owner during development and for the affordability period. It cannot be co-owned with another entity including another CHDO.

The CHDO must be in charge of all aspects of the development process including: obtaining zoning, securing financing, selecting contractors and overseeing work progress.

3. **Sponsor:** There are two definitions of a rental sponsor:

- i. CHDO develops a project that is solely owns and agrees to convey ownership to a second nonprofit organization or CHDO at a predetermined time upon completion of the development phase. HOME funds are invested in the project owned by the CHDO sponsor.

The CHDO must identify the particular nonprofit organization that will obtain ownership of the property **prior to commitment** of the HOME funds. The nonprofit organization also assumes any HOME obligations at a specified time after completion of the development.

- ii. The rental housing is owned or developed by: a wholly owned nonprofit or for-profit subsidiary of the CHDO; a limited partnership in which the CHDO or its wholly owned subsidiary is the sole general partner; or a limited liability company in which the CHDO or wholly owned subsidiary is the sole managing member.

CHDO's can only be a **developer for homebuyer housing**. It must be the owner (has valid legal title) and also develop any new housing. The CHDO then transfers title of the property and the HOME obligations to an eligible homebuyer. As a “developer”, the CHDO must arrange financing and be in sole charge of development and construction process.

Direct homeownership (down payment) assistance may be provided to an eligible homebuyer using CHDO set-aside funds but may not be greater than 10% of the development expenses. Assistance beyond 10% may be provided but cannot be from any CHDO set-aside funds.

## **C. ELIGIBLE APPLICANTS**

### **1. ELIGIBLE ORGANIZATIONS UNDER THE HOME PROGRAM:**

- ◆ The governing body of a county, city, village, or town;
- ◆ The elected governing body of a federally-recognized American Indian tribe or band in the State of Wisconsin;
- ◆ A public agency or nonprofit organization; and
- ◆ A faith-based or religious organization, as long as the funds are not used to support inherently religious activities.

An applicant/lead agency may submit only one 2014-16 HOME Program application. However, an applicant may collaborate with more than one agency to improve program delivery. In addition, an agency may collaborate on more than one application.

### **2. PRIOR RECIPIENT ELIGIBILITY**

To apply for 2014-2016 HHR HOME Program funds, an applicant (including collaborating agencies) with prior HOME HHR awards must show evidence of project progress and/or completion. This evidence includes but is not limited to (as applicable):

- ◆ All 2010 and earlier HHR contracts must be closed by submitting a HOME Contract Certification of Completion. Any 2010 HHR contracts with extensions must follow 2012 contract thresholds.
- ◆ Applicants having 2012 HHR contracts and amendments must have 100% of Phase I program funds committed through submitting activity setup requests. In addition, all Phase II funds must be committed by October 1, 2015 or Phase II of the new contract will not be authorized.

### **3. INELIGIBLE APPLICANTS**

Applicants having any identified violations of the HOME Final Rule and/or related audit or monitoring findings from any Division of Housing and Community Development housing contracts must have them resolved to the Division's satisfaction prior to March 1, 2015.

In addition, individual households and any HOME Participating Jurisdictions receiving HOME funds directly are ineligible including:

- Cities of Eau Claire, Green Bay, LaCrosse, Madison, Milwaukee, and Racine;
- Counties of Dane, Milwaukee, and Rock;
- The Jefferson, Ozaukee, Washington, Waukesha County Consortium; and
- Any entity planning to develop projects or provide assistance with State HOME funds in any other HOME Participating Jurisdiction.

## **D. ELIGIBLE ACTIVITIES**

HOME funds may be used for the following types of activities:

### **1. HOMEBUYER:**

Awards must be used to assist low-income households to purchase a single-family home that will be used as their principal residence.

Homebuyer programs can be structured in a number of ways to encourage the acquisition, acquisition and rehabilitation, or the new construction of affordable homes. Program design will be guided mainly by local needs and the local housing market.

Eligible activities include:

a. Acquisition: There are two approaches to acquisition:

Down payment/closing cost: Eligible homebuyers can be helped to purchase affordable homes by using HOME funds to provide lender-required down payment and/or closing cost assistance.

Gap financing: Reducing the monthly carrying costs of a loan from a private lender. Reducing the monthly carrying costs by providing gap financing reduces the size of the monthly payment by reducing the principal amount that the buyer must borrow.

Homes must be inspected and **ALL** code and HQS/UPCS fail items must be corrected.

HOME funds may also be used to purchase land as long as:

1. Unit construction begins within 12-months of purchase and is completed within the timeframe of the contract;
2. the unit is sold to an eligible homebuyer within nine months of completion/issuance of a Certificate of Occupancy. Any New construction single-family units not sold within the nine-month timeframe shall be converted to rental and have occupants at 60% or below the CMI or the HOME funds must be repaid.

b. Acquisition and Rehabilitation:

There are two acceptable approaches:

1. The grantee may acquire and rehabilitate vacant, substandard properties to be sold after rehabilitation to low-income purchasers.
2. The grantee may provide assistance directly to the homebuyer to have the rehabilitation completed immediately after the purchase. The grantee may offer the rehabilitation loan in addition to the down payment and closing cost assistance discussed above.

c. New Construction:

Grantees may develop single-family housing in areas where there is an insufficient supply of appropriate affordable housing by providing subsidies to stimulate construction of new housing. By providing a subsidy the developer can then offer the home at a lower sales price that presents a lower burden to low-income homebuyers. The development subsidy is generally provided as a grant to the developer. If no additional down payment assistance is provided directly to the homebuyer, a **deed restriction** must be filed to ensure the property remains affordable housing for the required affordability period.

d. Lease-Purchase:

The grantee or developer owns the unit and leases it to an eligible homebuyer. Ownership must be conveyed to an eligible homebuyer within 36 months of signing the lease-purchase agreement, or within 42 months of activity completion. If at the end of the 36-month period, the household occupying the lease-purchase unit is not eligible or able to purchase the unit; the grantee has an additional six months to identify an eligible homebuyer to purchase the unit. If the unit remains unsold, it must be converted to rental and have occupants at 60% or below the CMI, or the HOME funds repaid.

## 2. HOMEOWNER REHABILITATION:

HOME funds may be used to assist eligible homeowners with the repair, rehabilitation or reconstruction of their primary residence, as follows:

- a. Rehabilitation: alteration, improvement or modification of an existing structure. It also includes moving an existing structure to a foundation constructed with HOME funds. Rehabilitation may include adding rooms outside the existing walls of a structure if done to alleviate overcrowding.
- b. Refinancing: refinancing of existing debt on single-family, owner-occupied properties **in connection with rehabilitation**. The refinancing must be necessary to reduce the owner's overall housing costs and make the housing more affordable. The following exceptions include:
  - **Refinancing for the purpose of taking out equity is not permitted.**
  - **Refinancing to prevent foreclosure is not an eligible HOME activity.**
  - **Refinancing Federal debt (e.g., FHA loan).**
- c. Reconstruction: The rebuilding of a structure on the same lot where housing is standing at the time of project commitment. Reconstruction also includes replacing a substandard manufactured house with a new manufactured house.

**NOTE:** Replacing a manufactured housing unit with a stick-built unit is considered a homebuyer activity even if the applicant/beneficiary owns the lot and existing manufactured unit.

## 3. CHDO HOMEBUYER DEVELOPMENT

Applicants are encouraged to develop and submit CHDO activities including the following:

- Acquisition and rehabilitation of homebuyer properties.
- New construction of homebuyer properties.
- Direct financial assistance to purchasers of HOME-assisted housing sponsored or developed by a CHDO.

CHDO activities **do not** include:

- Rehabilitation of existing homeowners' properties;
- Homebuyer acquisition-only assistance;

CHDO developmental activities must be clearly defined through identification/completion of the following:

- All necessary financing
- A budget and schedule
- Underwriting analysis
- Construction scheduled to begin within 12 months

In addition, annual CHDO funding must be committed within two years of federal authorization. To meet these requirements, all CHDO activity setup reports must be submitted within six months of authorizing Phase I and Phase II funding and include documentation of the secured financing, budget and schedule, underwriting analysis performed, and construction start date.

## **E. OTHER HOME PROGRAM REQUIREMENTS**

### **1. AFFORDABILITY PERIODS**

To ensure that HOME investments yield affordable housing over the long-term, HOME rules impose occupancy requirements on homebuyer activities. Affordability periods relate to the length of time during which a HOME-assisted unit must remain available for a low-income buyer are based upon the amount of investment provided. **Affordability period requirements do not apply to homeowner rehabilitation activities.**

#### **Homebuyer**

The HOME program sets affordability periods that relate to the resale of assisted homebuyer properties as follows:

Less than \$15,000 = 5 years  
\$15,000 - \$40,000 = 10 years  
Greater than \$40,000 = 15 years

HUD requires either the resale or recapture option for ensuring long-term affordability during the affordability period determining the affordability period. The affordability period under the resale option is based on the amount of HOME fund invested in the home and recapture is based upon the amount of funds provided as direct assistance to the buyer. If the home is sold during the affordability period, any HOME funds provided must either be recaptured or the home resold to another LMI buyer. The Department of Administration requires grantees to use the **recapture** option.

The **recapture** option requires grantees to recollect all or a portion of the HOME funds provided as direct subsidy to the home buyer if the house is sold within the affordability period. A direct subsidy includes any down payment or closing cost assistance, interest subsidies, or any subsidy that reduces the purchase price. The recapture method requires only the direct subsidy be repaid even if a developmental subsidy is also provided to help lower construction or rehabilitation costs on new housing unit.

Recapture is enforced mainly through a lien on the property. The home can be sold at the market price. All loan documents must include language that specifies that the funds recaptured shall be collected from available net proceeds.

Homebuyer units that receive only development subsidies (no direct financial assistance to the homebuyer) are required to use the resale option and sell the home to another LMI family. This option ensures the HOME-assisted unit remains affordable over the entire affordability term. The grantee must use deed restrictions, land covenants or other similar legal mechanisms to enforce this resale restriction.

### **2. PURCHASE PRICE/AFTER REHAB VALUE**

The value of any homebuyer/homeowner rehabilitation home may not exceed 95 percent of the median purchase price for that type of single-family housing for the area, as published by HUD.

Note: HUD publishes higher purchase price limits for new construction homebuyer activities.

The after-rehabilitation value must be established prior to investment of HOME funds. The after-rehabilitation value establishes project eligibility. Determining after-rehabilitation values may be established by using one or more of the following methods:

- Estimates of value
- Appraisals
- Tax assessments

### 3. PER UNIT SUBSIDY LIMITS

The minimum amount of HOME funds in any activity is \$1,000. The minimum only relates to HOME funds, and not to any other funds that might be used for activity costs. The maximum per-unit HOME subsidy limit is determined by HUD.

### 4. ELIGIBLE PROPERTY

For **homebuyer and homeowner rehabilitation activities**, eligible property means a single-family property that will serve as the purchaser's principal residence and for which the owner/buyer has fee simple title, including:

- Single-family, stand-alone unit;
- A condominium unit;
- A cooperative unit or a unit in a mutual housing project (if recognized as homeownership by state law);
- A manufactured home. For homebuyers and replacement activities: at the time of activity completion, the manufactured housing unit must be connected to permanent utility hook-ups and located on land that is owned by the manufactured housing unit owner, or on land for which the manufactured housing unit owner has a lease. Rehab may be completed on units serving as the title holder's principal residence.
- A duplex; and
- A land trust unit.

### 5. INELIGIBLE PROPERTY

Homebuyer properties previously assisted with HOME funds. No additional assistance may be provided to homebuyers during the affordability period. The only exception is assistance provided within one-year of initial project completion.

### 6. PROPERTY STANDARDS

All HOME-assisted properties must meet the following standards:

- a. **New construction:** Housing that is being constructed must meet all applicable state and/or local codes, ordinances, and zoning requirements. In absence of state and local codes, newly constructed housing must meet the International Code Council's International Building Code or International Residential Code, whichever is applicable to the type of housing being built.

New construction must also meet the Model Energy Code as stated in The Wisconsin Uniform Dwelling Code (UDC). DOH strongly encourages the use of Energy Star® components and other energy efficiency improvements in housing being assisted with HOME funds. Finally, all single-family new construction must be visitable.

- b. **Rehabilitation:** All grantees must have written rehabilitation standards describing the methods and materials to be used when performing rehabilitation activities. Standards must include the following:
- Applicable State and/or local codes. If no state/local codes exist, properties must meet the International Existing building Code of the International Code Council.
  - Minimum UPCS or HQS requirements.
  - All major systems must have a useful life of at least five years.
  - Lead Safe Housing Rule at 24 CFR Part 35 for all pre-1978 properties.
- c. **Acquisition only:** The property must meet the new construction standards for home units newly constructed or rehabilitated within 12 months of project commitment (activity setup). All other properties (not newly constructed) must meet the rehabilitation standards.
- d. **Manufactured housing:** The units must comply with applicable state and local laws or codes. New units are to be constructed according to Wisconsin code requirements. Units rehabbed must meet all applicable state and local codes, rehab standards and ordinances.

## 7. ADMINISTRATIVE/OPERATIONAL COSTS

Applicants may request HOME funds for the cost of administering the program of not more than 11 percent of the total housing activity funds requested.

Administrative/operational costs are defined as the non-housing assistance expenses incurred by the grantee in providing funds to or on behalf of participating households. These include such things as staff costs, office expenses, printing, mailing, travel, training, accounting, and auditing and reporting. Eligible organizations may generally request HOME funds for the cost of administering the program of no more than 11% of the total housing assistance payments requested.

## 8. CHDO OPERATING EXPENSES

Up to 11 percent of CHDO set-aside funds may be used for general operating expenses. However, reimbursement of funds will be dependent upon the timely completion of the CHDO activity.

## 9. HOMEBUYER EDUCATION

Applicants proposing a homebuyer assistance program **must include homebuyer education** for program beneficiaries. It is expected that a basic homebuyer education course will take a minimum of six hours to complete.

The items which must be covered in a homebuyer education program include:

- Personal and financial advantages of homeownership; rent vs. buy;
- Basic terms of the real estate transaction, explanation of disclosures. (e.g., Good Faith Estimate of Closing Costs, Truth-In-Lending Disclosure, HUD 1 Settlement Statement; Selecting a real estate broker, lender, attorney);
- Fair Housing Laws as they relate to borrower's rights to disclosure in a lending transaction;
- The purchase process; i.e., writing an offer, counter offers, inspection requirements, contingencies, closing documents;
- Insurance needs; e.g., homeowner's insurance, flood insurance, life insurance; budget for future home maintenance;

- Review of payment affordability including the mortgage payment (including principal, interest, taxes, and insurance) and how it may change annually due to increased real estate taxes;
- Calculation of cash needed to purchase: application fees, inspection fees, insurance, cash to close costs, reserves;
- Explanation of private mortgage insurance

Note: A one-on-one meeting with the educator; on-line only education is not acceptable.

## 10. ACTIVITY COMPLETION DEADLINE

Grantees have four years from the date of commitment (activity set-up) to complete an activity. Completion includes construction close and title transfer, final draw of all funds, and completion in IDIS. In addition, activity completion must be entered into IDIS within 120 days of final draw.

## 11. HOMEBUYER ACQUISITION AND REHABILITATION OR NEW CONSTRUCTION ACTIVITY ADDITIONAL REQUIREMENTS

### a. Nine-month sale

All homebuyer development activities must ensure the properties are sold to an eligible homebuyer within nine months of construction or rehabilitation. Construction is complete when a certificate of occupancy is obtained.

If there is no ratified sales contract on a home within nine months of completion, the unit must be rented to an eligible tenant in accordance with the HOME rental requirements under federal regulations 92.252. The developer will then become the owner. Grantees should maintain a ready pool of income-eligible homebuyers to ensure this deadline is met.

### b. Subsidy Layering and Underwriting Analysis

Before making a funding commitment for new construction or rehabilitation activities, the grantee must evaluate whether the project is financially viable according the following requirements:

- Proposed development costs are HOME eligible, reasonable, and necessary;
- There is sufficient funding to pay for the proposed costs;
- Market analysis determines a need or demand for the new housing unit;
- Developer must have financial capacity to undertake the development project; and,
- Developer must demonstrate that it is not investing anymore HOME funds, alone or in combination with other funds, than are necessary to provide an affordable and financially viable housing unit.

Prior to submitting an activity set-up report, grantees must carefully perform an assessment of the market demand to ensure there is a market for the proposed new housing unit at a proposed price. A thorough market assessment will provide sufficient information about comparable properties in terms of size, number of bedroom, amenities, etc.

## 12. MATCH AND LEVERAGE REQUIREMENTS

### a. Sources of **HOME match** include, but are not limited to:

- **Cash contributions** including donations made by individuals (except for owners, developers, or prospective owners/developers of HOME activities) private entities,



the grantee or other public entities for the express purpose of providing affordable housing, including:

- State appropriations or general revenue (HCRI/HODAP funds),
  - Local general revenue,
  - Housing trust funds,
  - Foundation grants and private donations,
  - Housing finance agency (WHEDA) reserves that are not federal funds;
  - Program income from Housing Development Action Grant (HODAG) or Urban Development Action Grant (UDAG) after grant closeout,
  - Below-market interest rate loans from private lending institutions,
  - Grants and forgivable deferred payment loans from non-federal funds made by the grantee to the homebuyer,
  - Amortized loans from non-federal funds made by the grantee to the homebuyer and the loan amount is repaid to the local HOME account rather than the grantee's general account.
- **Foregone taxes, fees, and charges** normally and customarily imposed or charged on all projects in the jurisdiction. For example, local property taxes, transfer taxes, state tax credits, permit fees, recordation fees and impact fees.
- **Donated land or other real property** contributed to a HOME activity. For example, a property owner sells property below its market value or a local bank sells a foreclosed property for an amount equal to back taxes owed. The value of the contribution is the appraised value of the donated land or other real property minus any debt burden, lien or other encumbrance; and minus any cost for acquisition.
- **Infrastructure costs** provided that the cost was not paid with federal resources and the grantee documents that the infrastructure is directly required for the activity. For example, streets, sidewalks, and streetlights located on or immediately adjacent to the activity site, and utility lines and connections serving the activity. Infrastructure that serves both HOME-assisted and non-assisted housing may be counted on a prorated basis. In addition, the infrastructure investment must have been completed no earlier than 12 months before HOME funds were committed to a HOME-assisted activity.
- **The value of donated site preparation and construction materials** provided that the materials were not acquired with federal resources.
- **The full value of donated site preparation and construction equipment.** Documentation of this contribution must include a letter from the owner of the equipment acknowledging the donation of a certain number of hours of use and establishing the usual hourly or daily rate for rental of the equipment.
- **The value of any donated or voluntary labor, including professional services.**
  - The rate for unskilled labor is established annually by HUD.
  - The value of skilled labor or professional services is determined by the rate that the individual or entity performing the labor or service normally charges. Documentation of this contribution must include a letter from the individual or entity establishing the usual periodic rate or flat fee for the labor/services and stating the value of the labor/services provided.

- **The value of sweat equity** provided to the activity by the owner/buyer at the current HUD established unskilled labor rate.
- The **cost of supportive services** provided to families residing in HOME-assisted units during the period of affordability. The supportive services must be necessary to facilitate independent living or be required as part of a self-sufficiency program.

Examples of eligible supportive services include: case management, mental health services, assistance with the tasks of daily living, substance abuse treatment and counseling, day care, and job training and counseling. The direct costs that may be counted are limited to salary costs directly attributable to the provision of the supportive services to residents of HOME units and the cost of materials directly related to the provision of these services. The actual cost of providing these services must be supported by invoices, time cards or similar documents. Overhead costs are not considered direct costs of the supportive services.

- **Homebuyer counseling services** provided to families that acquire properties with HOME funds. Ongoing counseling during the period of affordability as well as pre-purchase counseling is eligible. Only the value of services provided to families that complete the purchase with HOME assistance can be counted as match.

b. Sources of **HOME leverage** include:

- Homebuyer's funds for down payment and closing costs.
- Lender first-mortgage financing. Homebuyer programs must include lender first mortgage financing in other resources.
- Other federal resources such as Community Development Block Grant (CDBG) or Self-help Homeownership Opportunity Program (SHOP).
- Department of Energy (DOE) Weatherization funds.

### 13. FAIR HOUSING

All HOME activities must comply with the Federal laws, executive orders and regulations pertaining to fair housing and equal opportunity. Successful HHR applicants must take measures to ensure non-discriminatory treatment, outreach and access to program resources. This applies to employment and contracting, as well as to marketing and selection of program participants.

**Fair Housing and Equal Opportunity** laws and regulations include:

Title VI of the Civil Rights Act of 1964, As Amended which states that no person may be excluded from participation in, denied the benefits of, or subjected to discrimination under any program/activity receiving Federal financial assistance on the basis of race, color or national origin.

The Fair Housing Act (42 U.S.C. 3601-3620): which prohibits discrimination in the sale or rental of housing, the financing of housing or the provision of brokerage services against any person on the basis of race, color, religion, sex, national origin, handicap, or familial status.

Equal Opportunity in Housing (Executive Order 11063, as amended by E.O. 12259): Prohibits discrimination against individuals on the basis of race, color, religion, sex or national origin in the sale, rental, leasing or other disposition of residential property, or in the use or occupancy of housing assisted with Federal funds.

Age Discrimination Act of 1975, As Amended (42 U.S.C. 6101): Prohibits age discrimination in programs receiving Federal financial assistance.

#### **14. Affirmative Marketing**

All successful HHR applicants will have evidenced a marketing plan describing:

- ◆ how the public will be informed of the availability of HOME funds;
- ◆ what will be done to inform persons not likely to apply for housing without special outreach; and,
- ◆ how efforts will be assessed to ensure successful marketing.

#### **15. SECTION 3**

Section 3 of the Housing and Urban Development Act of 1968 requires that, to the greatest extent feasible, opportunities for training and employment arising from HOME funding will be provided to low-income persons residing in the program service area. Also, to the greatest extent feasible, contracts for work will be awarded to business concerns that are located in or owned by persons (particularly those owned by low- and moderate-income persons) residing in the program service area.

#### **16. UNIVERSAL DESIGN FEATURES**

Universal design features are encouraged for *HOME-funded new construction activities* including:

1. Lever-style handles on all interior doors.
2. Bath/kitchen faucets being replaced or initially installed must be single-level type.
3. Non-skid tub/shower pattern covering 75% of tub/shower floor.
4. All walls within 36" of toilet and in tub/shower area shall have ¾" plywood behind drywall to provide sufficient support for grab bars or other assist devices.
5. Bathtub/shower stalls with offset controls.
6. Low-profile thresholds – ¼" maximum vertical height or ½" maximum beveled at 1:2 are required between ALL interior common areas and in all dwelling unit openings when floor transition height differs.

## HOUSING COST REDUCTION INITIATIVE (HCRI)

HCRI funds may be used to provide:

- acquisition assistance for homebuyers;
- foreclosure prevention assistance for homeowners;
- administrative support; and
- capacity building:

The State of Wisconsin has set aside these funds to defray the housing costs of low- and moderate-income households and households with special housing needs.

### A. FUNDS AVAILABLE

Approximately \$2.6 million in HCRI program funding is available for homebuyer and/or foreclosure prevention activities. Funds is for a two year contract period.

Applicants may apply for funding for the following types of HCRI activities:

- ◆ Homebuyer
- ◆ Foreclosure Prevention

HCRI funding is equally allocated among the following three geographic regions:

Milwaukee Metro -- to serve households in Milwaukee, Waukesha, Ozaukee, or Washington counties.

Other Metro -- to serve households in Brown, Calumet, Chippewa, Dane, Douglas, Eau Claire, Kenosha, La Crosse, Marathon, Outagamie, Racine, Rock, St. Croix, Sheboygan, or Winnebago counties.

Balance of State -- to serve households in the remaining 53 Wisconsin counties.

An agency is allowed to be the lead applicant for funds in only one region. (i.e. the application must identify the single area where the majority of the proposed activity funds will be spent).

### B. ELIGIBLE APPLICANTS

Any of the following are eligible to apply for funding under the HCRI program:

- ◆ The governing body of a county, city, village, or town;
- ◆ The elected governing body of a federally-recognized American Indian tribe or band in the State of Wisconsin;
- ◆ A nonstock, nonprofit corporation organized under Chapter 181;
- ◆ A for profit corporation organized under Chapter 180;
- ◆ A cooperative organized under Chapter 185 if the articles of incorporation or bylaws of the cooperative limit the rate of dividend that may be paid on all classes of stock;
- ◆ A religious society organized under Chapter 187.
- ◆ A housing authority\*

\* A housing authority refers to any of the following:

- a. A housing authority organized under Wisconsin Statutes 59.075, 61.73, 66.395, 66.40, or Chapter 234;
- b. A redevelopment authority or housing and community development authority exercising the powers of a housing authority under Wisconsin Statutes 66.431(5)(a)(9) or 66.4325(4);

- c. *A housing authority organized by the elected governing body of a federally recognized American Indian tribe or band in this state.*

## **PRIOR RECIPIENT ELIGIBILITY**

To be eligible for the 2014-2016 HCRI competition, an applicant with HCRI awards prior to 2010 must have submitted all necessary closeout documents to the Department of Administration - Division of Housing.

Applicants with 2012-2014 HCRI contracts must have spent at least 50 percent of the contracted funds at the time of application.

Note: Grantees having identified violations of HCRI administrative rules and/or related audit or monitoring findings must have resolved any issues related to violations/finding to DOH's satisfaction prior to application submittal.

## **C. ELIGIBLE ACTIVITIES**

### **HOMEBUYER**

The following are eligible activities under the HCRI program:

1. The principal and interest on a mortgage loan that finances the purchase of housing (including such things as down payments, land contract payments, chattel mortgage payments, real estate mortgage and deed of trust payments, and conditional sales contract payments for purchase of a manufactured home).
2. Closing costs and other costs associated with a mortgage loan (those costs normally paid by a buyer in a home purchase transaction, including such things as title search; buyer's portion of title insurance; appraisal fees, points, legal fees; property inspections; credit reports; settlement and recording fees; and transfer charges).
3. Mortgage insurance payment for one year.
4. Property insurance payment for one year.
5. Utility-related costs (including costs related to heat, gas, light, water, and public or private sewerage, including deposit or hookup charges). This does not include cable television or telephone costs.
6. Fees associated with a limited-equity housing cooperative (including membership fees, carrying charges, principal and interest, mortgage insurance, property insurance, utility-related costs, property taxes, and operating expenses).
7. Other costs approved by the Department of Administration - Division of Housing.

### **FORECLOSURE PREVENTION**

1. **One-time** assistance on behalf of an LMI homeowner to cover mortgage principal and interest, property taxes and/or insurance (PITI). The assistance may be provided in more than one payment.
  - a. Homeowner must receive foreclosure counseling including budget/credit counseling. Counseling must be provided by counselors that have been trained through NeighborWorks® America; any other training program must be approved by the HCRI Program Administrator. For a listing of counselors visit: <http://www.wisconsinforeclosureresource.com/cc.asp>.
  - b. Homeowner must have the ability to pay future mortgage principal and interest, property taxes and/or insurance (PITI) costs.

- c. Homeowner must have a work-out plan/loan modification in place prior to payment of HCRI assistance.

## **D. OTHER HCRI REQUIREMENTS**

### **1. LEVERAGE**

Applicants must have the ability to leverage HCRI funds from sources that include but are not limited to:

- Local project funds,
- Agency administrative support,
- Housing related in-kind support services,
- Commitments from local lenders for home mortgage funds,
- Federal Home Loan Bank funds (FHLB-AHP)
- Federal housing program funds such as CDBG and HOME.

### **2. ADMINISTRATIVE/OPERATIONAL COSTS**

Applicants may request HCRI funds for the cost of administering the program of not more than 15% of the total housing activity funds requested.

Administrative/operational costs are defined as the non-housing assistance expenses incurred by the grantee in providing funds to or on behalf of participating households. These may include such things as staff costs, office expenses, printing, mailing, travel, training, accounting, auditing and reporting.

### **3. CAPACITY BUILDING**

Applicants may also request a maximum of \$3,000 in Capacity Building funds. These funds are available to enhance an agency's ability to provide assistance to homebuyers/owners and it requires a 1:1 cash match. See the Application Instructions for more details.

## GRANT AWARD PROCESS

DOH reserves the right to amend, modify, or withdraw this application package and any of the grant program instructions or procedures contained herein. DOH may exercise such right at any time without notice and without liability to any applicant or other parties for their expenses incurred in the preparation of a proposal.

Submit one original and two copies of the application. All applications must be received or **postmarked** no later than **February 27, 2015**.

Applications will be:

- ◆ Reviewed for completeness.
- ◆ Sorted by region based on the Service Area information provided in the Application Narrative section.
- ◆ The award amount will be based on the following criteria:
  - Activity(s) proposed and the relationship to the identified housing gap.
  - Amount of existing revolving loan fund.
  - Reasonableness of request.
  - Capacity to complete the proposed activities.
  - Geographic coverage of activities.
  - Funding availability and other housing grants currently available in the service area.
  - Performance and progress in any and all other Division of Housing programs.
  - Financial audit results from any and all other Division of Housing programs.

Please submit the application to:

Program Manager  
HOME Homebuyer & Rehabilitation Program  
Housing Cost Reduction Initiative (HCRI) Program  
Division of Housing  
Wisconsin Department of Administration  
P. O. Box 7970  
Madison, Wisconsin 53707-7970

For applicants who choose to hand-deliver the application, DOH street address is:

101 E. Wilson Avenue (5<sup>th</sup> floor)  
Madison, WI 53703